

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 INR-07 EB-07 SP-02 SS-15 L-03 PRS-01

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DRAFTED BY NEA/EGY:GGBROWN:CEK

APPROVED BY NEA - MR SOBER

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R 031932Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 166447

STADIS//////////

FOR THE AMBASSADOR FROM SOBER

E.O. 11652: GDS

TAGS: PFOR, ELAB, EG, US

SUBJECT: FORD PROJECT

REFERENCE: CAIRO 8841

1. FORD REPS KEN HOLLOWAY AND WAYNE FREDERICKS CALLED ON DEPUTY ASSISTANT SECRETARY SOBER JULY 1 TO REVIEW THEIR CONCERNS ON PROPOSED PROJECT. FORD REPS STILL REMAIN PERPLEXED OVER HOW TO PROCEED IN NEGOTIATIONS FOLLOWING JUNE 16 CABLE FROM SHAFEI. THEY NOW BELIEVE THAT SHAFEI PROBABLY DID NOT FOCUS ON ISSUES LEFT OUTSTANDING IN MAY 18 AGREEMENT AND THEREFORE HIS OPTIMISM AT THAT TIME WAS NOT WELL BASED.

2. OUROUSSOF WILL BE ASKING FOR APPOINTMENT WITH YOU TO GO OVER SAME FOUR-PAGE DOCUMENT AS FORD REPS LEFT WITH THE DEPARTMENT. FORD LOOKING FOR BEST STRATEGY AND WOULD WELCOME AMBASSADOR'S VIEWS AND JUDGMENT ON CERTAIN ISSUES.

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3. IN LIGHT OF FORD'S REVISED ANALYSIS OF PROJECT RE-

QUIREMENTS AND SHAFEI'S POSITION, FORD BELIEVES IT MIGHT BE ABLE TO HAVE A VIABLE PROJECT WITH AN "INLAND" LOCATION ONLY WITH SUBSTANTIAL CHANGES IN DUTIES WHICH WOULD PROVIDE

FORD ESSENTIALLY "INFANT INDUSTRY" PROTECTION. NO FURTHER CHANGE IN LAWS (E.G., RE LOCAL INCOME TAXES) WOULD BE REQUIRED IF ADEQUATE TARIFF PROTECTION WAS AFFORDED.

4. ACCEPTANCE OF FREE ZONE STATUS WOULD REQUIRE CHANGES IN LAW FOR FORD TO BE ABLE TO SELL IN DOME-TIC EGYPTIAN MARKET, WHERE FORD SEES PRINCIPAL PROSPECT OF PROFITABLE SALES. FORD WOULD ALSO NEED SOME UNDERSTANDING THAT FREE ZONE MANUFACTURED TRUCKS WOULD MEET QUALIFICATIONS FOR PRIVILEGED ENTRY (IN ARAB COMMON MARKET CONTEXT) INTO OTHER ARAB COUNTRIES, ESPECIALLY IRAQ WHICH IS SEEN AS THE MAJOR FOREIGN MARKET.

5. FORD IS ALSO AWARE OF PRESS REPORTS (CITED REFTTEL) ON POSSIBILITY OF CHANGES IN INVESTMENT LAW. OBVIOUSLY FORD INTERESTED IN HOW SERIOUS GOE INTENTIONS ARE AND WHETHER THERE IS A POSSIBILITY THAT THESE CHANGES MIGHT CHANGE SOME OF THE INVESTMENT DISINCENTIVES WHICH FORD NOW FACES ON ITS PROPOSAL.

6. FORD ALSO AWARE OF THE VICKERS ARTICLE IN WALL STREET JOURNAL. WE INDICATED THAT WE WERE LOOKING INTO IMPLICATIONS AND WOULD SHARE OUR FINDINGS WITH THEM.

7. FORD REPS INDICATED THEY PLAN RETURN TO CAIRO FOR FURTHER MEETINGS WITH GOE BUT WOULD FIRST WELCOME ANY INSIGHTS YOU CAN PROVIDE ON THE QUESTIONS OUROUSSOF WILL DISCUSS WITH YOU. THEY ASSUME THAT ON RETURN TO CAIRO THEY WILL WANT TO BEGIN WITH GAZARINE BUT WOULD WISH TO SEE SHAFEI OR SOME OTHER AUTHORITATIVE PERSONS AT THE POLITICAL LEVEL IN EFFORT TO CLARIFY PROBLEMS AND RESOLVE OUTSTANDING ISSUES WHICH THEY BELIEVE ARE BEYOND GAZARINE'S AUTHORITY.

8. WE WOULD WELCOME YOUR VIEWS. KISSINGER

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